



# SMALL BUSINESS PRO-POOR DEVELOPMENT FUND (SBPDF)

Eligibility Criteria

January 17, 2019

**Background:** Given the constraints faced by SMEs in accessing financing from Banks & Financial Institutions, on September 18, 2018, the Government of Liberia (GOL) represented by the Ministers, Ministry of Commerce & Industry (MoCI) and the Ministry of Finance & Development Planning (MFDP) embarked on a financing initiative to address the aforesaid. The initiative is intended to provide financing opportunities to Small Medium Enterprises (SMEs), Micro Finance Institutions (MFIs) and Village Savings & Loans Associations (VLSAs) through fiscal stimulus for a nationwide quick impact projects across the country with the view of providing job opportunities, capital formation, and wealth for the under privileged in the society. This scheme is anticipated to support the Government's Pro-Poor Agenda for Prosperity and Development (PAPD) which was launched in Ganta, Nimba County, 27<sup>th</sup> of October 2018.

To this end, the GOL has provided a seed fund of **\$3,000,000 (Three Million United States Dollars)** to the Liberian Bank for Development & Investment (LBDI) as initial funding for onward lending to under privileged Liberian owned businesses across the country.

### Eligibility Criteria

**Objective:** In consideration of the challenges faced by SMEs in accessing finance from Banks & Financial Institutions, this fund seeks to provide financing opportunities for ordinary Liberians in the Micro-Small and Medium Enterprises (MSME) and Small-Medium (SME) sectors. This fund will assist Liberian owned Small Medium Enterprises which are largely not bankable to access funding for the rebuilding of their businesses and provide employment opportunities, particularly for the poorest so as to help stimulate the economy in the medium and long run. As part of the process, the loan disbursement will take into account the following:

- Gender sensitivity,
- Vulnerable Groups including the disabled,
- Geographical distributions per regions and counties
- Economic Sectors

**Economic Sectors:** Trade, Agriculture, Service, Manufacturing, and Transportation.

**To be eligible:** The intended beneficiaries under this scheme must meet the below listed criteria:

1. Beneficiaries **must** be one of the following:
  - a. A 100 per cent Liberian owned legally registered business
  - b. Micro-Finance Institutions (**MFIs**)
  - c. Village Savings Loan Associations (**VSLA**)
  - d. Small Medium Enterprises (**SMEs**)
2. Proposed Beneficiaries to provide the below listed information to LBDI:
  - a. An application form from LBDI
  - b. Provide valid Business registration
  - c. Provide two (2) passport size photos, at most six (6) months old
  - d. Record of sales, where applicable.
  - e. Business tax clearance
  - f. And real estate tax clearance, where applicable

3. Beneficiaries shall be required to open accounts in the name of the business into which disbursements will be made and repayment taken therefrom.

**Under writing of Loan/Projects:**

1. LBDI to underwrite the loans to the beneficiaries following the provision of required documents in count (2) mentioned, supra.
2. LBDI to prepare the loan appraisal in keeping with its credit procedure which shall include the loan agreement, mortgage agreement and promissory note for approval.
3. LBDI to ensure disbursement of funds is spread across the country to businesses in each of the fifteen (15) counties of Liberia. LBDI to debit all repayment of principal and interest from beneficiaries/business account as mentioned in count (3) as replenishment.

**Reporting:**

- LBDI to establish a desk/unit for verification, underwriting, disbursement, recovery, and reporting.
- LBDI to submit a quarterly report to the Steering Committee comprising the Ministry of Finance & Development Planning (MFDP) and the Ministry of Commerce & Industry (MoCI) on the management of the fund.

**Loan Size:** The loan size under this funding scheme shall range from **US\$ 5,000 to US\$ 50,000**, equivalent in Liberian Dollars (LD) on individual need basis.

**Loan Tenor:** The Tenor of the loan shall be from 12 to 36 months inclusive grace period, where applicable.

**Pricing:** The pricing of the fund to beneficiaries to be as follows:

- Interest Rate: 6% per annum for up to 36 months from LBDI to SMEs
- Documentation, Prohibition and Registrations
- USD \$20.00 or Liberian Dollars equivalent

**Collateral Requirement:** Financing under this loan scheme to be secured as follow:

- Original Lease Agreement
- Original Deed plus Title Documents, where applicable or Insurance on Inventory financed by the loan amount
- Inventory listing, where applicable
- Power of Attorney for the property as collateral, where applicable
- Property Tax Clearance (LRA)

*Collateral should be flexible so that ordinary Liberians can benefit from the loan without prejudice to the collateral requirements.*

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